



These illegitimate offers are often touted by high-pressure telemarketing sales – often known as “boiler room” tactics – or through Internet solicitations. The fraudulent activities are usually set up with the firm’s office in one state, the operations and physical location in another state, and the offering in yet a third state. Spreading things out like this allows the con artists to delude the investors for a longer period of time; when offices and sites are not within an accessible distance, the investors are less likely to try to stop by the office or site. This not only keeps the investors from knowing what is really happening, but it also makes the job of law enforcement officials (for example, the Indiana Secretary of State’s office) more difficult by hindering their ability to identify and expose the criminals.

ASK FOUR QUESTIONS BEFORE INVESTING MONEY IN A RISKY INVESTMENT:

1. Are the seller and investment licensed and registered in the state?

Call Secretary of State Todd Rokita’s office at **800.223.8791** to find out. If they are not registered, they may be operating illegally.

2. Has the seller given you written information that fully explains the investment?

Make sure you get proper written information, such as a prospectus or offering circular, before you buy. The documentation should contain enough clear and accurate information to allow you or your financial adviser to evaluate and verify the particulars of the investment. Watch for jargon that sounds sophisticated but makes no sense.

3. Are claims made for the investment realistic?

Some things really are too good to be true. Use common sense and get a professional, third party opinion when presented with investment opportunities that seem to offer unusually high returns in comparison to other investment options. Pie-in-the-sky promises often signal investment fraud.

4. Does the investment meet your personal investment goals?

Whether you are investing for long-term growth, investment income or other reasons, an investment should match your own investment goals.

The Honorable Todd Rokita
Indiana Secretary of State



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VIATICAL INVESTMENTS

Viatical investments involve betting on someone's life – literally. Those who invest in a viatical have chosen to purchase the life insurance policy of a terminally ill person (the viator). The viator may need the money for medical expenses or simply to spend it in what may be the last few months or years of his/her life. The investor buys the life insurance policy benefits for less than face value, and then, when the viator passes away, the investor receives the policy amount. In this situation, it appears that everyone "wins," but this is not always the case. There is no guarantee when a person will die, and, with the constant updates in modern medicine, a terminally ill person could live twice as long as originally anticipated – or even longer. The longer the viator lives, the less the policy is worth to the investor. While the opportunity seems like an extremely sound investment, choosing to invest in viaticals can be a very risky decision, even when done legitimately.

Viaticals originated in the 1980s when AIDS was a rising epidemic, and it seemed more beneficial for the terminally ill to cash in on their policies and use the money during the last part of their lives. There are several different entities involved in the process of a viatical settlement, including the insurer, a broker, and an investor. Added to this mix of people

are medical professionals who will certify that the viator has a terminal illness. Complications often arise when other issues that can affect the investment are considered. These issues include life expectancy, policy terms, and the legitimacy of the securities agent. With all of these various complications, it becomes increasingly important for the investor to seriously research the opportunities before handing over any money. Any opportunity requires thorough investigation and understanding. With viatical fraud on the increase in the world of investing, it is extremely important to take all necessary steps when considering a viatical investment.

Illegitimate viatical promoters reel investors in with promises of high profits and encourage them with the fact that death is inevitable. The implication is that if death is inevitable, then the payoff must be guaranteed. In reality, a "guarantee" is nothing more than an illusion created by the promoter of a fraudulent investment pitch. Since the rate of return on a viatical is completely dependent on the amount of time between the date of the viatical and the date of the viator's death, a fantastic rate of return is usually not an accurate promise.



When a con artist is promoting a fraudulent viatical, he/she often uses false medical information that may not match what the insurance company has on record. In order to make a viatical investment appear appealing,

a con artist may lie about the life expectancy of the viator, encourage the viator to falsely indicate a positive condition of health (known as clean-sheeting), or sell the policy immediately after it has been written (known as a wet-ink policy), before the investor or companies involved know what has happened.

Even when a viatical is not fraudulent, it is still considered a risky investment. The viator's obligations to pay premiums ends when he/she enters into a viatical settlement. If there are still periodic premiums to be paid, this obligation is passed on to the investor. If the viator lives longer than expected, the investor may find himself/herself paying more in premiums than the actual value of the investment. In a fraudulent investment, the investors may not even be notified of the viator's death and may continue to be billed for premiums.

OIL AND GAS VENTURES

If the phrase oil and gas venture sounds exotic and adventurous, that's because it is. An informed investor would be wise to understand that, generally speaking, the words exotic and adventurous are typically equivalent to words like "risky" and even "dangerous." In 2003, Secretary of State Todd Rokita, along with the North American Securities Administrators Association (NASAA), sounded warnings that investors should beware of con artists who exploit fear and use headlines to lure them into bad investments. They warned that wars, terrorism, and rising prices on gas and oil signaled a breeding ground for high-risk or even outright illegal investment opportunities. Using the high-cost of heating and gas to their advantage, con artists exploit what investors see in the news to make them believe there are easy gains to be made. In 2003, the prices of gas and heat had increased roughly 50 percent. This makes an oil and gas opportunity seem like a sound investment with great potential. Even when an oil and gas opportunity is legitimate, it is still a risky venture and should be approached with caution.

Most opportunities should be registered with the SEC and Secretary Rokita's office, as should the person selling the opportunity. A phone call to Secretary Rokita's office at **800.223.8791** allows you to check the opportunity and the securities agent.



The reality of oil and gas opportunities is that they can often be fraudulent. Scammers bank on the fact that investors want to profit from the rising prices in the oil and gas industry, but the investors often find out too late that the once-considered "great opportunity" is actually linked to fraudulent activities and dry or nonexistent wells. The investor that lands in one of these bad investments is commonly dealing with unregistered agents, unregistered securities offerings, misinformation, unsuitable investments, phony profits, or even outright theft.